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Exempt from filing fee pursuant to Gov't. Code Section 6103

Attorneys for EAST VALLEY WATER DISTRICT

# STATE WATER RESOURCES CONTROL BOARD DIVISION OF WATER RIGHTS

In the Matter of:

APPLICATIONS TO APPROPRIATE WATER FROM THE SANTA ANA RIVER Application Nos. 31165/31370, 31174, 31369, 31371, 31372

#### **CLOSING BRIEF OF EAST VALLEY** WATER DISTRICT

Date: May 2-4, 8, 2007

Time: 9:00 a.m.

Place: Joe Serna Jr. / Cal EPA Building

Sierra Hearing Room 1001 "I" Street, Second Floor Sacramento, California

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Pursuant to Section 648.5(d) of the California Code of Regulations, EAST VALLEY WATER DISTRICT (hereinafter "EVWD") submits this Closing Brief in response to Application Nos. 31165/31370 filed by SAN BERNARDINO VALLEY MUNICIPAL WATER DISTRICT (hereinafter "SBVMWD") and WESTERN MUNICIPAL WATER DISTRICT (hereinafter "WMWD"), Application No. 31174 filed by ORANGE COUNTY WATER DISTRICT (hereinafter "OCWD), Application No. 31369 filed by CHINO BASIN WATERMASTER (hereinafter "CBWM"), and Application No. 31372 filed by CITY OF RIVERSIDE (hereinafter "RIVERSIDE") seeking a permit from the STATE WATER RESOURCES CONTROL BOARD (hereinafter "SWRCB") to appropriate water from the Santa Ana River.

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### APPLICATION NOS. 31165/31370

EVWD is a self-governing special district duly organized and operating as a County Water District under California Water Code Section 30000 et seq. EVWD was formed in 1954 and covers an area of approximately 25 square miles in the County of San Bernardino. EVWD provides water and sewer service to residential, commercial, and industrial properties within the Cities of Highland and San Bernardino and in unincorporated portions of the County of San Bernardino, and serves a population of approximately 56,000 people. SWRCB-1; SWRCB-2; 1999 Evidentiary Record for SWRCB Order WR-2000-12 (hereinafter "E.R.") Exhibit E, 2:19-25; E.R. Exhibit E-A.

EVWD owns and operates 21 wells and appurtenant pipelines and other facilities from which it extracts approximately 19,000 acre feet of groundwater per year from the San Bernardino Basin Area (which includes the Bunker Hill Groundwater Basin and the Lytle Creek Basin) for direct delivery to its customers. SWRCB-1; SWRCB-2; E.R. Exhibit E, 3:1-5.

EVWD also receives surface water from the Santa Ana River pursuant to its stock ownership of a majority of shares in the NORTH FORK WATER COMPANY (hereinafter "NFWC"), a mutual water company incorporated and existing under the laws of the State of California. NFWC holds surface water rights in the Santa Ana River pursuant to an agreement entered into with Bear Valley Land and Water Company [the predecessor in interest to the Bear Valley Mutual Water Company (hereinafter "BVMWC")] in 1885 (hereinafter "the NORTH FORK AGREEMENT"). Applicants' Joint Exhibit 2-8, Ex. E. The NORTH FORK AGREEMENT quantified NFWC's rights to the natural flow of the Santa Ana River during the summer months as follows:

June	500 inches (10 cfs)
July	600 inches (12 cfs)
August	600 inches (12 cfs)
September	550 inches (11 cfs)
October	450 inches (9 cfs)
November	400 inches (8 cfs)

During the remaining months, NFWC is entitled under the NORTH FORK AGREEMENT to one-fourth of all the water flowing in the Santa Ana River. Applicants' Joint Exhibit 2-8, Ex. E.

These rights were later recognized in a stipulated judgment entered into in 1977 between Big Bear Municipal Water District and several water companies representing water users and overlying owners within the San Bernardino Basin. <u>Big Bear Municipal Water District v. North Fork Water Company. et al.</u>, San Bernardino County Superior Court Case No. 165493 (hereinafter "the NORTH FORK JUDGMENT"). Applicants' Joint Exhibit 2-8, 7:14-23.

Further, NFWC's surface water rights are included in the Santa Ana River - Mill Creek Cooperative Project Agreement (hereinafter "the EXCHANGE PLAN") entered into in 1976 between SBVMWD, NFWC, and various entities with rights in the Santa Ana River and Mill Creek. Applicants' Joint Exhibit 2-8, 3:8-10; Muni/Western Exhibit 5-1, 12:1-14. Under the EXCHANGE PLAN, SBVMWD contributes import water from the State Water Project and the parties to the EXCHANGE PLAN are then able to use all of this water on an integrated basis utilizing a coordinated system of mutual exchanges and transfers. SWRCB-1; SWRCB-2; E.R. Exhibit E, 4:3-11; Muni/Western Exhibit 5-1, 12:15-20.

The EXCHANGE PLAN also provides that a Management Committee is set up to administer the provisions thereof. As such, SBVMWD makes available to the Management Committee its import water from the State Water Project for delivery and use as "Exchange Water." This "Exchange Water" is delivered to a party in exchange for an equal amount of that party's "Entitlement Water" made available to the Management Committee for delivery and use pursuant to the terms of the EXCHANGE PLAN. With respect to "Entitlement Water" in the Santa Ana River, the Exchange Plan provides that NFWC, BVMWC, and Lugonia Water Company together own maximum instantaneous rates of flow of 88 cfs. SWRCB-1; SWRCB-2; E.R. Exhibit E, 4:12-21.

In recognition of the fact that operation of the Seven Oaks Dam and the impoundment of any water by SBVMWD and WMWD in connection therewith could adversely impact the health, safety, and welfare of the customers of EVWD if water does not continue to flow down the Santa Ana River for diversion, treatment, and ultimate delivery by EVWD, a settlement document known as the "SEVEN OAKS ACCORD" was entered into by SBVMWD, WMWD, EVWD, NFWC, and several other parties on July 21, 2004, in an effort to address many of EVWD's concerns and resolve much of the uncertainty regarding the priority of water rights in the Santa Ana River Watershed that could

result if permits are issued by the SWRCB pursuant to Application Nos. 31165/31370. SWRCB-8; Applicants' Joint Exhibit 2-9; Muni/Western Exhibit. Under Section 3.a. of the SEVEN OAKS ACCORD, "any rights granted [SBVMWD and WMWD] by the SWRCB to divert water from the Santa Ana River shall be *subject to* the prior right of [EVWD, BVMWC, and the City of Redlands] to divert up to the first <u>88 cfs</u> of the natural flow of the Santa Ana River" (emphasis added). SWRCB-8, p. 3; Applicants' Joint Exhibit 2-9, p. 3.

As indicated above, the basis of NFWC's rights to the surface water of the Santa Ana River - which have been irrefutably accepted and confirmed by SBVMWD and WMWD under the SEVEN OAKS ACCORD - is the NORTH FORK AGREEMENT which was entered into prior to the adoption of the California Water Code in 1914. As such, the water rights held by NFWC are characterized under California law as pre-1914 appropriative rights which are outside the scope of the SWRCB's jurisdiction. Water Code Sections 1201-1202; People v. Shirokow (1980) 26 Cal. 3d 301, 308, 162 Cal. Rptr. 30, 34; Meridian v. San Francisco (1939) 13 Cal. 2d 424, 445-447, 459, 90 P.2d 537.

Further, NFWC's pre-1914 water rights were expressly recognized by the California courts pursuant to the NORTH FORK JUDGMENT. Big Bear Municipal Water District v. Bear Valley Mutual Water Co. (1989) 207 Cal. App. 3d 363, 254 Cal. Rptr. 757. The statutory authority conferred upon the SWRCB by the State Legislature was not intended to interfere with the jurisdiction of State courts to adjudicate substantially all water rights within a basin or watershed, and such court adjudications are entitled to equal dignity with SWRCB adjudications. Environmental Defense Fund, Inc. v. East Bay Municipal Utility District (1980) 26 Cal. 3d 183, 200; Allen v. California Water & Tel. Co. (1946) 29 Cal. 2d 466, 483-484; Fleming v. Bennett (1941) 18 Cal. 2d 518, 523-524; Wright v. Goleta Water District (1985) 174 Cal. App. 3d 74, 87, 89.

In fact, Section 9 of Application Nos. 31165/31370 expressly acknowledges and concedes the prior and paramount nature of the pre-1914 appropriative rights held by NFWC, BVMWC, Lugonia Water Company, and Redlands Water Company and states that "the permit which is sought by this application would be junior, as a matter of law, to such pre-1914 appropriative right of Edison and these mutual water companies." SWRCB-1; SWRCB-2.

Thus, the SWRCB is without any legal authority to exercise any jurisdiction, power, or control over NFWC's pre-1914 appropriative rights. The priority of these senior water rights over the rights sought herein by SBVMWD and WMWD pursuant to Application Nos. 31165/31370 is undisputed and has been expressly recognized and acknowledged in the SEVEN OAKS ACCORD (SWRCB-8, p. 3; Applicants' Joint Exhibit 2-9, p. 3), the environmental review of Application Nos. 31165/31370 (Muni/Western Exhibit 4-3, p. 3–19:16-31), and the testimony and evidence presented before the SWRCB (Muni/Western Exhibit 5-1, p. 3:6-9, p. 11:21-37).

Consequently, as a result of the above, as well as the contractual and equitable estoppel that operates to prevent SBVMWD and WMWD from challenging the continued recognition of NFWC's pre-1914 appropriative rights pursuant to the express acknowledgment of priority conceded by SBVMWD and WMWD and the binding provisions of the SEVEN OAKS ACCORD, EVWD conditionally withdrew its protest to Application Nos. 31165/31370. EVWD Policy Statement.

Therefore, EVWD does not object to the issuance of a permit by the SWRCB to SBVMWD and WMWD pursuant to Application Nos. 31165/31370 as long as the prior and paramount pre-1914 appropriative rights of EVWD and NFWC as recognized in the NORTH FORK AGREEMENT, the NORTH FORK JUDGMENT, the EXCHANGE PLAN, and the SEVEN OAKS ACCORD - as well as by SBVMWD and WMWD pursuant to Section 9 of Application Nos. 31165/31370 - are not infringed upon, interfered with, usurped, and/or adversely impacted in any manner or fashion by the terms of any such permit that is so issued.

### <u>APPLICATION NOS. 31174, 31369, AND 31372</u>

In 1969, the Orange County Superior Court entered a Stipulated Judgment in Orange County Water District v. City of Chino, et al., Orange County Superior Court No. 117628 (the "1969 JUDGMENT") declaring rights in the Santa Ana River Watershed as between the water users located in the area shown on Exhibit A to the 1969 Judgment which lies upstream from Prado Dam (the "Upper Area") and the water users located in the area shown on Exhibit A to the Judgment which lies downstream from Prado Dam (the "Lower Area"). Applicants' Joint Exhibit 2-1.

OCWD, RIVERSIDE, and various entities that comprise CBWM are parties to the 1969 JUDGMENT and to the stipulations contained therein. Both EVWD and NFWC are signatories to

the 1969 JUDGMENT and qualify as Upper Area water users. OCWD is located in the Lower Area. Applicants' Joint Exhibits 2-1 and 2-5.

Pursuant to the 1969 JUDGMENT and the stipulations leading to it:

"water users and other entities in Lower Area have rights, as against all Upper Area claimants, to receive an average annual supply of 42,000 acre feet of Base Flow at Prado, together with the right to all Storm Flow reaching Prado Reservoir. Water users and other entities in Upper Area have rights in the aggregate, as against all Lower Area claimants, to divert, pump, extract, conserve, store and use all surface and ground water supplies originating within Upper Area without interference or restraint by Lower Area claimants, so long as Lower Area receives the water to which it is entitled under this Judgment and there is compliance with all of its provisions." Applicants' Joint Exhibit 2-1.

In addition, pursuant to the 1969 Judgment and the stipulations leading to it:

"OCWD and the Lower Area Users are enjoined and restrained from pumping, producing and exporting or directly or indirectly causing water to flow from Upper to Lower Area, except as to salvage of evapo-transpiration losses . . . . The acquisition by Upper Districts or other Upper Area entities of Lower Area water rights shall in no way affect or reduce Lower Area's entitlement; and the acquisition of Upper Area water rights by OCWD or other Lower Area entities shall be deemed to be included within the aggregate entitlement of Lower Area and shall not increase said entitlement." Applicants' Joint Exhibit 2-1.

Further, pursuant to the 1969 Judgment and the stipulations leading to it:

"[i]nsofar as Lower Area claimants are concerned, Upper Area water users and other entities may engage in unlimited water conservation activities, including spreading, impounding and other methods, in the area above Prado Reservoir, so long as Lower Area receives the water to which it is entitled under the Judgment and there is compliance with all of its provisions. Lower Area water users and other entities may make full conservation use of Prado Dam and reservoir, subject only to flood control use." Applicants' Joint Exhibit 2-1.

In consideration of EVWD's agreement to dismiss its protest to the Application No. 31174, OCWD expressly agreed to the following conditions pursuant to the terms of the Agreement between Orange County Water District and East Valley Water District Concerning Water Rights dated June 23, 2006 ("OCWD/EVWD SETTLEMENT"):

- a. OCWD acknowledged and affirmed the rights and obligations set forth in the 1969 JUDGMENT, including the "Declaration of Rights" contained in Paragraph 4 thereof, and agreed, subject to those rights, not to object to EVWD's use of water allowed under the 1969 Judgment.
- b. OCWD represented that the Application No. 31174 is not intended to, and shall not, alter the 1969 JUDGMENT and its declaration of rights within the Santa Ana Watershed, or the terms and conditions of the agreements executed prior to the date of entry of the 1969 JUDGMENT

as a condition to stipulation to the 1969 Judgment. OCWD further represented that nothing in Application No. 31174 is intended to diminish the rights of the Upper Area parties to the 1969 JUDGMENT as they are declared in the 1969 Judgment, and OCWD covenanted that OCWD shall not assert that anything in Application No. 31174 that would diminish those rights.

- c. Application No. 31174 only applies to waters in the Santa Ana Watershed that reach Prado Dam or originate downstream of Prado Dam in the Lower Area. Application No. 31174 is not intended to, and shall not, change or affect the rights of EVWD to store, conserve, or use all water or reclaimed water that originates in the Upper Area, to withdraw and use all treated wastewater or return flows now discharged to the Santa Ana River, and to otherwise exercise all rights declared under the 1969 JUDGMENT, provided the obligations of the upstream entities are met as required under the 1969 JUDGMENT. Through Application No. 31174, OCWD shall not obtain any right as against EVWD inconsistent with the terms of the 1969 JUDGMENT, despite any expenditures made by OCWD to capture and use the flows that reach Prado Dam.
- d. Application No. 31174 does not challenge the right of the Upper Area Parties to engage in reasonable conservation and storage of water consistent with the 1969 JUDGMENT. OCWD recognized that the Upper Area parties, including EVWD, may engage in reasonable and beneficial conservation activities consistent with the 1969 JUDGMENT which may have the effect of diminishing the water supply reaching OCWD's diversion points.
- e. Application No. 31174 shall not operate to challenge or seek to limit the rights of Upper Area parties under the 1969 JUDGMENT, or otherwise abridge the rights of Upper Area parties as set forth in the 1969 JUDGMENT to "divert, pump, extract, conserve, store and use all surface and groundwater supplies originating in the Upper Area without interference or restraint by Lower Area claimants."
- f. Application No. 31174 shall not be construed to seek any water rights as against EVWD or otherwise to claim that the water rights held by EVWD are not valid and/or have been diminished, lost, or abandoned.
- g. OCWD and EVWD will request the SWRCB to incorporate the entire 1969 JUDGMENT into any permit/license to divert water resulting from Application No. 31174. OCWD agreed that it will comply with all applicable provisions of the 1969 JUDGMENT and that,

specifically as to EVWD, OCWD will not in any proceeding assert or argue status as a "legal user" pursuant to Water Code Sections 1210-1212 of any water in excess of that to which it is entitled under the 1969 JUDGMENT or to which EVWD is entitled under the 1969 Judgment. Applicants' Joint Exhibit 2-5.

Additionally, in consideration of EVWD's agreement to dismiss its protest to the Application No. 31369, CBWM expressly agreed to the following conditions pursuant to the terms of the Stipulation to Dismiss Protest by East Valley Water District to Notice of Application to Appropriate Water by Permit dated March 30, 2005 ("CBWM/EVWD SETTLEMENT"):

- a. None of the points of diversion within the scope of Application No. 31369 will result in the appropriation, extraction, or withdrawal of water from the Santa Ana River.
- b. Application No. 31369 shall not be construed to seek any water rights as against EVWD or otherwise to claim that the water rights held by EVWD are not valid and/or have been diminished, lost, or abandoned. SWRCB-4; EVWD Policy Statement, Exhibit A.

Further, in consideration of EVWD's agreement to dismiss its protest to the Application No. 31372, RIVERSIDE expressly agreed to the following conditions pursuant to the terms of the Stipulation to Dismiss Protest by East Valley Water District to Notice of Application to Appropriate Water by Permit dated January 9, 2007 ("RIVERSIDE/EVWD SETTLEMENT"):

- a. The sole purpose of Application No. 31372 is to appropriate treated effluent generated from RIVERSIDE's regional water quality control plant that would otherwise be discharged into the Santa Ana River.
- b. Application No. 31372 shall not be construed to claim that the water rights held by EVWD are not valid and/or have been diminished, lost, or abandoned. SWRCB-6; EVWD Policy Statement, Exhibit B.

Thereafter, on April 5, 2007, all of the applicants in this proceeding - SBVMWD, WMWD, OCWD, CBWM, and RIVERSIDE - submitted to the SWRCB a *Stipulation of Applicants* which expressly states that EVWD, NFWC, and the other senior water right holders would retain "first priority to divert up to <u>88 cubic feet per second</u>" from the mainstem of the Santa Ana River even upon action by the SWRCB to approve the issuance of permit pursuant to said Applications. CBWM Closing Brief, Exhibit B, p. 4:11-19.

Consequently, as a result of the above, as well as the contractual and equitable estoppel that operates to prevent OCWD, CBWM, and RIVERSIDE from challenging the continued recognition of EVWD's Upper Area water rights pursuant to the binding provisions of the OCWD/EVWD SETTLEMENT, the CBWM/EVWD SETTLEMENT, and the RIVERSIDE/EVWD SETTLEMENT, EVWD conditionally withdrew its protest to Application Nos. 31174, 31369, and 31372, respectively. EVWD Policy Statement.

Therefore, EVWD does not object to the issuance of a permit by the SWRCB to OCWD, CBWM, and RIVERSIDE pursuant to Application Nos. 31174, 31369, and 31372, respectively, as long~as~the~rights~of~EVWD~and~NFWC~as~recognized~in~the~1969~JUDGMENT, the~OCWD/EVWD~and~NFWC~as~recognized~in~the~1969~JUDGMENTSETTLEMENT, the CBWM/EVWD SETTLEMENT, and the RIVERSIDE/EVWD SETTLEMENT are not infringed upon, interfered with, usurped, and/or adversely impacted in any manner or fashion by the terms of any such permit that is so issued.

Dated: June 6, 2007

BRUNICK, McELHANEY & BECKETT

Steven M. Kennedy Attorneys for East Valley Water District

### PROOF OF SERVICE

# STATE OF CALIFORNIA } COUNTY OF SAN BERNARDINO

I am employed in the County of the San Bernardino, State of California. I am over the age of 18 and not a party to the within action; my business address is 1839 Commercenter West, San Bernardino, California.

On June 6, 2007, I served the foregoing document(s) described as: CLOSING BRIEF OF EAST VALLEY WATER DISTRICT on the interested parties in this action by placing a true copy thereof enclosed in sealed envelopes, addressed as follows:

### SERVICE WAS MADE TO EACH PARTY AS FOLLOWS: SEE ATTACHED SERVICE MAILING LIST -SANTA ANA RIVER WATER RIGHTS APPLICATIONS

BY MAIL AS FOLLOWS: I am "readily familiar" with the firm's practice of collection and processing correspondence for mailing. Under that practice it would be deposited with the U.S. Postal Service on that same day with postage thereon fully prepaid at San Bernardino, California in the ordinary course of business. I am aware that on motion of the party served, service is presumed invalid if postal cancellation date or postage meter date is more than one day after date of deposit for mailing in affidavit.

\_\_\_\_\_ (BY OVERNIGHT COURIER SERVICE): I caused such envelopes to be delivered via overnight courier service to the addressee(s) described above.

\_\_\_\_ (BY FACSIMILE) On this date, the aforesaid document was transmitted by facsimile transmission number (909) 388-1889, to the person(s) whose name(s) and facsimile number(s) are referenced. The transmissions were reported without error.

XX BY ELECTRONIC SERVICE to the e-mail addresses listed herein. Receipt of service was confirmed using the Return Receipt Requested feature of electronic mail system.

X (STATE) I declare under penalty of perjury under the laws of the State of California that the above is true and correct.

Executed on June 6, 2007, in the City of San Bernardino, State of California.

P. Jo Anne Quihui

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